



Bill Richardson
Governor

Jan Goodwin
Secretary

STATE OF NEW MEXICO
Taxation and Revenue Department

An Equal Opportunity Employer

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January 6, 2005

Mr. Charles Przybylek
Chief Operating Officer/General Counsel
National Nuclear Security Administration
1000 Independence Ave. SW
Washington, DC 20585

Dear Mr. Przybylek,

We read with interest the draft RFP for the management of Los Alamos National Labs (LANL). LANL provides tremendous economic benefit to New Mexico and is a critical component of our state's tax base. The New Mexico taxes paid by LANL help fund the state services that make New Mexico a good place to live, work, and do business.

Payments for research and development services performed in New Mexico are subject to New Mexico's gross receipts tax. While some deductions from taxable gross receipts are available to firms conducting research and development and some activities of 501(c)(3) organizations are exempt from New Mexico gross receipts tax, potential applicants, regardless of their corporate structure, should expect to have their tax status carefully monitored by the State of New Mexico.

To avoid any potential confusion by applicants about their potential tax status as managers of LANL, we respectfully submit the following lines for inclusion in the final RFP:

Non-profit organizations that intend to partner with a for-profit entity for any part of the lab's operations should expect to pay New Mexico gross receipts tax, relative to the portion of the contract performed by the for-profit entity. The State of New Mexico will review the tax status of the winning respondent. Effective January 1, 2005, the gross receipts tax rate in Los Alamos County is 6.5625%.

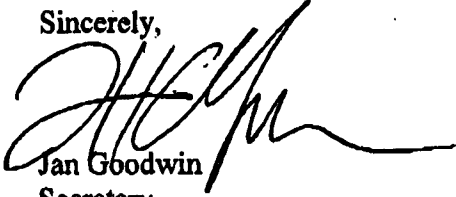
Mr. Charles S. Przybylek

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Thank you for your attention to this matter. Should you have any questions, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Goodwin', with a long horizontal flourish extending to the right.

Jan Goodwin

Secretary

New Mexico Taxation and Revenue Department